# HB 1209 STUDY PRESENTATION

## EMPLOYEE BENEFITS PROGRAMS COMMITTEE

REPRESENTATIVE MIKE LEFOR
CHAIR, INTERIM RETIREMENT COMMITTEE
JUNE 21, 2022

**HB 1209** - Develop a plan for new hires under the Public Employees Retirement System main system to participate in the defined contribution plan and to close the defined benefit plan to new entries effective January 1, 2024.

During the 2021-2022 interim, the Legislative Management may develop a plan for new hires under the Public Employees Retirement System main system to participate in a defined contribution, cash benefit or hybrid plan and to close the defined benefit plan to hires effective on a date certain. (Legislative Management Directive.)

# FUNDED RATIO

| Fiscal Year | Actuarial Assets | Actuarial Liabilities | Actuarial Unfunded | Actuarial Funded Ratio |
|---|---|---|---|---|
| 2000 | 1,009,744,796 | 879,189,877 | 130,554,919 | 114.8% |
| 2005 | 1,210,287,848 | 1,333,491,341 | (123,203,493) | 90.8% |
| 2010 | 1,576,794,397 | 2,156,560,553 | (579,766,156) | 73.1% |
| 2015 | 2,027,476,214 | 2,976,071,808 | (948,595,594) | 68.1% |
| 2020 | 3,112,920,033 | 4,557,679,020 | (1,444,758,987) | 68.3% |

January 2016 Rule of 85 changed to Rule of 90 for employees hired after December 31, 2015

January 2020 Benefit multiplier lowered from 2.0% to 1.75% for members enrolled after December 31, 2019.

Current projections to close the defined benefit plan. (PERS) – A total of $3 billion would be needed to keep the plan solvent until the last current defined benefit members benefits are paid. An actuarial analysis would be necessary to provide the most accurate estimates of the cost or cost-savings of closing the main system defined benefit plan.

2021 HB 1380 (Legacy Streams) was passed into law. One of the provisions in that legislation provides for funding going to the PERS retirement system. In the 2023 session, there will be legislation which seeks to allow for the PERS retirement system to have a stream which is not coupled with the bonds passed by state to pay off debt. The amount of the stream would be $50 million per biennium to stay until the fund reaches a 90% funded level

# ONE-TIME TRANSFER OPTION

| Transfer Amount | Estimated Time to 100% funded |
|---|---|
| $50 million | 44 years |
| $75 million | 39 years |
| $100 million | 35 years |
| $200 million | 25 years |
| $250 million | 22 years |
| $300 million | 20 years |
| $350 million | 17 years |
| $400 million | 16 years |

The retirement committee was advised not to bond for one-time dollars rather, if a cash infusion is to be considered it should be from cash. If the Legacy provision discussed passes and is left intact for the next 20 years that would provide an infusion of $25 million per year or a total of $500 million over two decades. In addition, there may be legislation to provide for an additional cash infusion next session.

The retirement committee will also look at how the closing of the defined benefit plan would affect the political subdivisions included in the plan. Another provision to look at is the states current defined contribution plan. The states chief people officer, Stacey Breuer, and her staff will weigh in on what is needed to provide for a plan with “best practices” to become more competitive in the marketplace.

In the past three years, the state has had a turnover rate totaling 38%. In 2016, the millennial generation became the largest in the workforce at 35%. By 2025, millennials and younger (Gen Z) will make up 75% of the work force.

It is predicted that these U.S. will hold 10-14 jobs by age 38. They look at jobs as “projects”

| **Job Changes** | **2019** | **2022** |
|---|---|---|
| Remote | 8% | 32% |
| Hybrid | 32% | 59% |
| Onsite | 60% | 9% |

Work is no longer limited to the office. The younger work force expects flexibility to manage their work and life.

*"When we capture early talent at Team ND at less than 30 years of age, we are not retaining them."*
- Stacey Breuer, chief people officer, state of North Dakota.

# NORTH DAKOTA AGENCY STRATEGY

1. COMPENSATION
2. RECRUIT
3. RETAIN
4. TRAINING

# TOTAL REWARDS OVERVIEW

1. COMPENSATION
2. WELL-BEING
3. BENEFITS – HEALTH CARE, VACATION, RETIREMENT
4. DEVELOPMENT
5. RECOGNITION

The retirement committee has tasked our advisors to do the following:

1. Design a "best practices" defined contribution plan to be competitive in the marketplace.
2. How do we successfully exit the defined benefit plan?
3. What amount – percentage should we as employers invest into a DC plan as a component of "best practices?"
4. What amount of time should be allocated for a proper transition?
5. What are all the potential costs associated with moving from DB to DC?
6. How does this affect political subdivisions?

The retirement committee will continue to do our due diligence regarding our assigned task. Once our questions have been answered, the committee will look at potential legislation to recommend to the 68th legislative assembly.